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20 July 2006

Version of attached file:

Accepted Version

Peer-review status of attached file:

Not peer-reviewed

Citation for published item:

Hudson, R. (2005) 'The social economy beyond the local ? developmental possibilities, problems and policy considerations.', *Urbanistica*. .

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**THE SOCIAL ECONOMY BEYOND THE LOCAL?
DEVELOPMENTAL POSSIBILITIES, PROBLEMS
AND POLICY CONSIDERATIONS**

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Forthcoming in Urbanistica (2005)

Introduction

In its current usage in the UK and Europe the term “social economy” refers to not-for-profit activity geared towards meeting social needs. As such, it can be defined as follows by (Molloy *et al*, 1999: 11):

“The ‘Social Economy’ constitutes a broad range of activities which have the potential to provide opportunities for local people and communities to engage in all stages of the process of local economic regeneration and job creation, from the identification of basic needs to the operationalisation of initiatives. The sector covers the economic potential and activities of the self-help and co-operative movements, that is, initiatives that aim to satisfy social and economic needs of local communities and their members. This sector includes co-operatives; self-help projects; credit unions; housing associations; partnerships; community enterprises and businesses. The Social Economy is the fastest growing sector in Europe and this context is fertile ground for the creation of many new enterprises locally”.

The restorative powers of the social economy have come to the centre of attention in academic and policy debates. . The non-profit sector, usually in the guise of the third sector is no longer seen as a residual and poor relation of the state or the market, a sphere of charity and social or moral repair. Instead, it is imagined as a mainstay of future social organisation in both the developed and developing world, set to co-exist with or substitute for the welfare state, meet social needs in depleted and hard pressed communities, constitute a new economic circuit of jobs and enterprises in the socialised market composed of socially useful goods and services, empower the socially excluded by combining training and skills formation with capacity and confidence-building, and create a space for humane, co-operative, sustainable, and ‘alternative’ forms of social and economic organisation. This is, if nothing else, a highly impressive and ambitious set of intended achievements. There is evidence that, at least in part, these achievements are being realised. For example, some 6.6% of the working population in the UK are either establishing or involved in social

enterprises that seek to generate income to realise community or social goals (Harding and Cowling, 2004). Moreover, compared to their mainstream economy equivalents, these companies generate between five and six times as many jobs. While the optimistic proponents of the social economy have come to see much of this as a good thing, a 'taming' of capitalist excess and exploitation and the return of the social and civic into the mainstream, those who are more cautious and circumspect warn that the social economy remains a poor substitute for provision through the market or welfare state, the return of an under-nourished and under-nourishing version of "the social". This is a more guarded assessment of the developmental potential of the social economy. Either way, however, there is a distinct sense that the social economy will feature centrally in 21st Century capitalism.

Methodologies and sources of evidence

This paper is based on three recently completed and large-scale collaborative research projects carried out between 1997 and 2000 into the practices and experiences of social economy organisation in the UK (for fuller accounts, see Amin *et al*, 2002; Bennett *et al*, 2000). These projects provide the basis for a considered and evidence-based, account and assessment of the strengths, weaknesses and future potential of the social economy in the UK. The first of these projects was commissioned by European Commission Directorate General XII/G, sampled nearly 2000 Third Sector initiatives, in order to select 60 examples of 'best practice' for inclusion in the Commission's multi-country database of over 700 projects in its 'Local Initiatives to Combat Social Exclusion in Europe'¹. The second project, funded by the UK's Economic and Social Research Council, undertook a more critical, in-depth and place-based analysis of social economy practice. Rather than investigating isolated examples of best practice, it sought to examine the dynamics of success and failure in different types of social enterprise (40 in total) in a variety of local settings in Bristol, Glasgow, Middlesbrough and Tower Hamlets in London. . These four areas were chosen to allow an exploration of the degree to which their widely differing local

¹ The complete database can be viewed at <http://locin.jrc.it>.

civic, political and economic conditions might explain variety in the form of the social economy. The third project was funded by the Joseph Rowntree Foundation and examined the role of the social economy in the regeneration of former British coalfields, especially in Nottinghamshire and south Wales, but with some attention to north east England and south Yorkshire. Seeking to explore in greater depth the micro-scale social practices of the social economy, it deployed a mixture of in-depth interviews, focus groups and participant-observation in ethnographies of place (Bennett *et al*, 2000).

Aims, objectives and contexts

The paper seeks to examine the expectations – academic and policy - that have emerged in recent years across the developed world and the extent to which these have been realised, through the experience of social enterprises in these varied areas in the UK. Coalfields were seen as having specific combinations of the problematic features of both rural and urban areas, and as such as posing a particular challenge to regeneration policy makers (Coalfields Task Force, 1998). However, despite common assertions as to their homogeneous character, there are important differences among coalfields and this extends also to the types of social economy that develop there. Thus the social economy is relatively well developed in the valleys of the former south Wales coalfield but is much less in evidence in former coalfields of north east England and Nottingham. The urban areas were likewise chosen to span a variety of local contexts in order to allow analysis of the ‘powers of place’ as well as the characteristics of social economy initiatives themselves in explaining their effectiveness and success (or failure). Glasgow and Middlesbrough represented places with similar industrial backgrounds, economic hardships and hierarchical political cultures (although of rather different sorts), but whereas the social economy is generally regarded as well developed in Glasgow, in Middlesbrough it is notable by its absence. The social economy is also well developed in Bristol and Tower Hamlets, and while these are both areas with ethnically and culturally diverse populations, Bristol is relatively affluent with relatively small pockets of poverty and social exclusion whilst Tower Hamlets has widespread

problems of poverty and social exclusion. How did these differences between places affect the nature and potential of the social economy in each location? Whereas the social economy in Glasgow seemed strongly supported by the state, in Bristol and Tower Hamlets its dynamic seemed to lie more within a vibrant civil society. In the valleys of south Wales, the social economy has in some respects developed despite the stance of parts of the state. These contrasts allow us to see why similar places produce different social economy ventures and why different places produce similar social economies.

Summarising the evidence: four key findings

The main findings of the three research projects may be summarised as follows. First, empirical evidence shatters the illusion that there are model social enterprises or models of best practice that can be unproblematically transplanted and encouraged through standardised “one size fits all” policy interventions. What counts as success varies enormously between initiatives, with achievements such as enhancing client-confidence and participation often at odds with national policy expectations measured in terms of specific quantifiable short-term outcomes relating to jobs and training, medium to long-term financial sustainability and, less precisely, local economic ‘regeneration’. A corollary of this is that place and ‘local’ context are of importance in determining the nature and ‘success’ of social economy initiatives. For example, the supportive role of the local authority in Glasgow within a specific Labourist political culture has had significant effects on the emergent form of the social economy there, and upon its ‘success’. In contrast, in a similar industrial and social setting in Middlesbrough, a different state practice has resulted in a more modest social economy. In contrast, in Bristol a long history of voluntary sector activity, community activism, civic engagement and alternative lifestyles has helped underpin a vibrant social economy while in the valleys of the former south Wales coalfield, a vibrant social economy has developed in spite of opposition from parts of the state, notably some Local Authorities. In short, ‘success’ is a product of a range

of place-specific factors as processes that cannot be assumed to exist or to be capable of being induced elsewhere.

Second, the evidence demonstrates that the social economy cannot be conceptualised without reference to the state or the mainstream market. Often it remains highly dependent upon the state in a range of ways. Although there are examples of projects that have successfully developed independently of public funds, the majority of social enterprises (even well known “success stories”) rely heavily on grant income and/or service level contracts with public authorities. The idea that social enterprises should be able to trade their way out of state dependency, whilst commonplace, sits uneasily with the experience of existing projects in the UK. The alternative that the social economy offers with respect to the public sector, therefore, is less one of providing a different way of generating resources than one of a different way of using and distributing them. The relationship between the social economy and the private sector is also significant, albeit precarious and uneven. In places where the private sector economy is strong, such as in London and Bristol, the social economy has been able to derive considerable benefits from its relationships with it. These include the secondment of staff from local firms, the acquisition of materials and financial donations, and the capacity of local labour markets to absorb people (re)trained through the social economy. Where the private sector economy is much weaker, as in deindustrialised urban areas and former coalfields, such links cannot develop because there are simply too few private sector firms to provide sufficient opportunities for such linkages to emerge and be sustained.

Third, therefore, contrary to dominant communitarian and Third Way thought, that the evidence strongly indicates that the social economy is rarely genuinely rooted in the resources of local communities. Indeed, areas of marked social exclusion and deprivation (as is clearly shown by data from the Index of Multiple Deprivation, 2000) are often precisely those that lack the requisite skills and resources necessary to sustain a vibrant social economy. Instead, the fledgling social economy in such places comprises either highly precarious and short-lived ventures that fail to meet local needs or ventures reliant upon public sector leadership, peripatetic

professionals and social entrepreneurs, dedicated organisations such as religious or minority ethnic bodies, or market links that stretch well beyond the limited opportunities available locally. The presence of the local community, and extent of its participation, seems to depend upon two factors. First, the nature of the local community itself (for example, is it cohesive, self-identifying, active?) and, secondly, the extent to which and ways in which social enterprises engage with local people (for example, is there genuine and persistent commitment to empowerment and involvement?).

Fourth, on the basis of the evidence, it is naïve and unreasonable to expect, as does UK policy and increasingly also EU thinking, that the social economy can be a major source of jobs, entrepreneurship, local regeneration, and welfare provision. To do so, runs the risk of marked disappointment as a result of unrealised expectations, a return to the vagaries of ‘good acts’ and ‘good people’ in combating social exclusion, tackling poverty and meeting welfare needs, and legitimating cuts in state expenditure or state remit and responsibilities. More positively, there is evidence that social enterprises - in the right places and with the relevant support - have a role to play that is complementary to provision via state and market. As such, they can achieve something genuinely different. The more successful social enterprises opened up new possibilities and networks for people who had previously been confined to the limited resources of poor places. This is not simply a question of altering poor people in poor places so that they become more like the rest of people in the ‘socially included’ world. Instead, it is a question of opening up and sustaining new ways of being; new sources of fulfilling and participatory work, providing socially useful goods and services, or practising ethical and ecological values. In this way, the alterity of the social economy can potentially transform the mainstream. This is most obvious when the social economy provides targeted services in a non-bureaucratic and ‘hands on’ way, or when projects have been able to alter political relationships within local communities – creating both new forms of democratic participation and economic opportunity. Therefore, Third Way/New Labour thinking, which charges social enterprises with creating jobs, tackling social exclusion in the round, providing training, developing local services and local markets and generally

countering the effects of years of disinvestment and disengagement by public and private sectors alike, is seriously wide of the mark.

From evidence to policy Issues: three issues

Influences on Performance

Given the variety of experience in the social economy, there is little or nothing to be gained from seeking universally valid factors that cut across varied initiatives. It is, however, legitimate to ask if there is a shared set of influences that recurrently exert a decisive impact on the performance of individual initiatives. Five factors can be identified that have clear implications for what might be considered as the framework conditions necessary for a vibrant social economy.

The first concerns the quality of leadership of social entrepreneurs and intermediaries. Evidence of the involvement of communities and the socially excluded in establishing initiatives and in driving their success has been most notable by its absence. Given the complex privations of skill, know-how, capability, and confidence, which mark the socially excluded, this is not surprising. The successful ventures have in general been driven by committed professionals, experienced social entrepreneurs, community activists, and ethical leaders (for example in religious or environmental movements). Many are extraordinary individuals who have foregone the option of lucrative careers, and who possess a complex array of skills and abilities, to mobilise resources, motivate people, identify under-met needs, make contacts, think laterally, and grasp opportunities. They have been described as 'the research and development wing of the welfare system, innovating new solutions to intractable social problems' (Leadbeater, 1997: 8). They are, at best, leaders and visionaries, and if not this, at a minimum highly professional in their approach to social enterprises as business ventures.

The second, and related, factor is clarity of goal. Many initiatives flounder because of a lack of a clear sense of mission, and for that reason, fail to align processes with

aims. Typically, initiatives mixing business-driven aspirations and cohesion/empowerment goals but lacking a clear-cut and conscious understanding of the differences between them, have had to sacrifice one or the other or have come unstuck and fallen between two stools because of contradictory organisational arrangements. For example, ethical ventures have been forced to lower wages or the quality of training because the product is commercially non-viable, or business-driven ventures have been forced by funding agencies to change direction because of poor social achievements. This kind of elision played a part in the decline of the community business movement in Scotland. In contrast, the experience of initiatives with clear aims has been different. Those with cohesion and empowerment as the main goal have consciously organised work, clients and products as a means of meeting needs or developing capabilities, which, in turn, has focused effort. Similarly, business-driven ventures run by professionals, as for example has become the trend in Glasgow, are clear that equity must follow business success, perhaps even at the expense of social objectives.

Third, success is unambiguously related to systematic and careful market research. Initiatives that have failed or are struggling to survive are characterised by poor quality products and services, with restricted demand for them or strong competition from other outlets. Only too often they have been born out of a response to a highly localised problem, without analysis of the potential for sustained demand. In contrast, successful ventures – either ethically or business-driven – offer a unique product, a unique selling point with potential beyond the local economy, and in markets of secondary interest to mainstream private sector firms or public welfare organisations. Typical niches include art materials for childcare organisations, recycled furniture for low-income groups, low-budget catering, shopping catalogues distributed by the homeless, and targeted services for ethnic minorities or particular disadvantaged groups. In all the cases, real under-met social needs have been identified, with potential for expansion beyond the immediate neighbourhood and/or into related services. However, in some instances, the local state has played an important role in underwriting demand as a contractor of the services provided. This highlights the point that for survival, beyond the important question of choosing the right product, there is a pressing need to secure a source of recurring demand. This presents a considerable challenge for small social enterprises with fragile market

expertise and thinly spread competencies.

The fourth factor is the intermediation of risk. The limited resources of social enterprises are typically stretched to the full. Often this is because of limited business expertise, relative isolation from circuits of information, services, expertise, and finance, and the lack of involvement on the part of their client-groups and communities that are typically characterised by severe shortages of social capital and material deprivation. This insecurity is intensified by the culture of short-termism and bureaucracy that characterises public funding for the social economy in the UK. Frequently voiced complaints included: the absence of medium-term funding, unnecessary paper-work and red-tape, evaluations based primarily on quantified outputs (for example, number of jobs), intrusive monitoring of performance, partnership with other organisations as a funding requirement, and more generally, short-termism and frequently changing fashions in regeneration policy. In contrast, more successful initiatives seem to have benefited from sensitive risk mediation of different kinds. Firstly, funding sensitive to the social targets of the initiatives, recognising the need to balance social objectives such as empowerment, advocacy, capacity-building and the creation of trust and social capital in its various forms (for example, see Harper, 2002; Performance and Innovation Unit, 2002), with quantitative measures of success; recognising the time and resource difficulties posed by an audit-based funding culture; and providing financial latitude for product or process innovation, and, if necessary, failure. Secondly, intermediation itself, in the form of conscious effort by enterprises to involve clients and employees, and importantly, the possibility of regular networking among social entrepreneurs and social economy professionals. Finally, an attitude of recognition and partnership, within the local state, which continues to play a critical role in funding, enabling, and contracting services to the social economy, rather than prescription or distance, has made a difference in terms of the access of initiatives to possibilities and support.

The fifth factor influencing performance – in many ways an obvious one – is the proximity of initiatives to mainstream economic dynamism. This affects both supply and demand conditions. Social enterprises based in or close to areas of economic prosperity have undoubtedly benefited from better market opportunities, linked to a higher and more varied elasticity of demand. There is greater scope for niche

products, sustained by a more varied pattern of consumer expenditure. On the supply side, the market for funding in prosperous areas is potentially more specialised, affording scope for socially-based investment ventures. Furthermore, the higher level of churning in the labour market appears to attract, a more varied and experienced set of professionals, employees and clients into the social economy, even if only temporarily and for short periods. Thus 8.5% of the working population in London are involved with social enterprises, whereas in north east England this figure falls to 5.4% (Harding and Cowing, 2004)

How place matters

The positive correlation between the strength of social enterprises and the local mainstream economy poses an interesting dilemma for current policy, which proposes the social economy as a solution for the economically most marginalised areas. UK government policies (manifest in the recommendations of the Social Exclusion Unit, new welfare programmes, and neighbourhood regeneration policies) have come to equate the social economy with social exclusion, through the superficial observation that both phenomena are somehow 'local'. The localised manifestation of social exclusion in its varied forms (for example, in 'sink' social housing estates and deindustrialised inner cities and coalfields) is increasingly read as evidence of the local causes of exclusion (for example, ghetto cultures, spirals of multiple deprivation, local pathologies of life on the margins). As a corollary there has been diminishing recognition of wider causes, such as the socio-spatial biases of national welfare and competitiveness policies, the multi-dimensional positional weaknesses of particular groups in society, and opportunity structures adversely affected by international economic circumstances and intensifying competition in a globalising economy. This has legitimated a shift to area-based solutions, including various sorts of community-based schemes incorporating the social economy, on the grounds that social enterprises are supposed to use local resources to respond to local needs. While it is recognised that the strength of the social economy varies from place to place, the logic of the new thinking is that a crystallisation of best practice from the experiences of the most successful ventures can help to eradicate 'local impediments' and produce generalised and transferable models of 'success'. Local potential can be realised, if cleansed of local noise.

In contrast, I argue that the social economy is the *product* of local social context, which is precisely why it is so varied from place to place. However, and this is crucial, social context and place are not reducible to one another. In contrast, the character of society-in-place (not society-as-place) is central, allowing initiatives varied geographies of local and global connectivity. Context matters - not as social context reduced to particular types of place (for example, low or high trust environments, spaces of face-to-face familiarity, powers of community; circuits of local need) but in terms of how the social economy is locally instantiated. Thus, for example, there were very few examples of social enterprise rooted in community or local social capital, and few examples of success confined to local circuits of supply, connectivity, and provision. In Glasgow, the most enterprising initiatives have sought national markets, while the new culture of business professionalism in the governance of the sector is not reducible to 'local culture'. Similarly, in Bristol, Tower Hamlets and the valleys of south Wales, opportunities have arisen as a result of peripatetic professionals and mobile standards, together with connections into the wider formal economy. Local commitment, and the response to local needs has not depended solely on local resources, nor, ironically, on local society. Place has mattered as a site of network connections. Elsewhere, in contrast, for example in Middlesbrough, such connections have been largely absent and the local social economy has of necessity relied on local links and capabilities. In neither case, however, can the 'local' be seen as pre-given in its character or scope.

Local context has influenced the shape of the social economy primarily as an institutional setting with its own peculiar history and character. Discussion of influences on the performance of individual social enterprises should be sensitive to this aspect of place. For example, in depleted communities and drastically hollowed out neighbourhoods, where capabilities on the ground have been tested to – and often pushed beyond - the limit by poverty and alienation, the role of the state and top-down support in general, has become crucial. Elsewhere, in Bristol and Tower Hamlets, the presence of an active third sector, instituted cultural variety and an ethical fraction of the middle class, has played a determining role. The 'instanciation' of the social economy – successful or otherwise – has occurred in and through this institutional context. Six aspects of local context appear to have played an important

part in nurturing the formation of a vibrant and relatively independent social economy. In no order of importance, these include, first, what might be described as the presence of voiced minority cultures expressing non-mainstream needs and values. The presence, for instance, in different doses and mixes, of outreach artists, environmentalists, New Age groups, yeoman values, women's groups, ethnic minority demands, Quaker, Methodist or other ethical organisations committed to social empowerment, has helped to legitimate and support bottom-up initiatives designed to meet social needs or harness alternative economic values (for example, fair trade, reciprocity, profit-sharing).

A second and partly related aspect is associational presence, or what Evans (2001) describes as, in the context of the US and France, a market for welfare intermediaries situated between the state and private sector. These intermediaries are not simply third sector organisations but agencies like BACEN in Bristol that have emerged to handle contracted-out state welfare services, and act as advocates for social enterprises, as a search engine for information, resources, and opportunities, and provide a contact base within and beyond the sector. The absence of local associations is not only an impediment to mobilisation and interest representation within the social economy, but also skews the balance of power in favour of mainstream organisations with only a passing or instrumentalist interest in the social economy.

The third aspect, the behaviour of the local state, exemplifies the significance of this inter-institutional balance. In contexts of limited local institutional pluralism such as Glasgow and Middlesbrough, the state, with the help of outreach career professionals, has exercised a major influence, pursuing a particular model of the social economy, but in which it can claim no special expertise. This has led to modest outputs, and/or a fairly predictable alignment of the social economy to small business formation or intermediate labour market goals. In contrast, in settings of greater civic activism and institutional heterogeneity such as Tower Hamlets and Bristol, local authorities have become more reflexive about the range of possibilities as well as their own role. While at times this has threatened the prospect of insufficient action, at other times, as Putnam (1993) asserts in the context of regions rich in social capital, it has stimulated an openness to difference, and a willingness to

support, rather than direct, the independent effort of social enterprises.

As a consequence, a fourth influence on the social economy relates to the scope for agonism (Mouffe, 2000) in the local political culture. An agonistic political sphere accepts difference and seeks agreement through vigorous discussion between declared opposed interests. It does not seek consensus at the price of suppression of plural and minority interests, but looks for a commons constructed out of debate and disagreement, and a democracy based on the right of presence of diverse interests. Such a political culture – evident in part in one of our case cities (Bristol) – can be vital for the social economy, for two reasons. First, because it affords space to what is normally considered a minority economic activity. Secondly, because it accepts the legitimacy of economic (as well as social and political) experimentation and novelty. Related to this openness is a readiness to avoid a politics of place based on local turf wars around a regressive local sense of place (for example, a culture of ‘we have always done it this way’, or ‘our field of engagement ends at the city boundary’). Instead, it seeks to embrace a politics *in* place that draws on a wider field of connections, resources and ideas (to vitalise the social economy in imaginative ways, among other things).

Thus, a fifth aspect of place that is of significance is connectivity. Bristol and Tower Hamlets are places of socio-economic mobility and external linkage. This is manifest in different ways, including the to-and-fro between work and employment, informal meetings between social entrepreneurs and activists, the presence of peripatetic professionals, strong ‘movement’ links beyond the locality, juxtaposition with opportunities in the formal economy, and linkage between communities, local authorities, and intermediaries. These localities resemble networked sites, able to reach widely and draw in resources to sustain the social economy, rather than clusters of activity such as those in Glasgow and Middlesbrough, which lack lateral connectivity or are characterised by connections established and/or appropriated by the state.

Finally, however, underpinning all of the above is the degree of local socio-economic deprivation. There can be little doubt that the differences observed among between varied cities and coalfield areas are linked to the depth and scale of deprivation (for

example, see Alcock *et al*, 2003). Places with large-scale and structural unemployment in a context of limited labour market vitality, evacuation of civil society, and reduced social and class heterogeneity, offer a severely restricted resource and opportunity base for social enterprise. The excluded are least equipped to participate, and the institutional base to facilitate integration is deficient, thin and underdeveloped. The situation is very different in places of relative prosperity, labour market churning, and socio-cultural heterogeneity, where the range of available opportunities is broader, as is the base for sustaining economic variety.

The above six aspects of place overlap, in some senses, with the influences on individual performance identified above. The key point, however, is that the characteristics of place are not reducible to the latter, and, as a set of attributes that contribute to the culture of a place, they add an important dimension to the nature and scope of the social economy in different locations. In this sense, current policy sensitivity to place in combating social exclusion is correct. However, this sensitivity, as already suggested, takes the form of a stereotyping of both the type of places that suffer social exclusion and the requisite (social economy) solutions, rather than an awareness of the powers and constraints of context. In addition, the policy focus is primarily on individual-level interventions, rather than on the collective, and at times less tangible, aspects of place that are of significance. Yet, any committed attempt to build the social economy needs to take these aspects seriously.

What kind of social economy for whom?

The fundamental question that remains, however, is what do we want the social economy for? Currently, at least three normative positions are evident, linked, respectively, to state welfare reform, business enterprise, and the economy of needs.

Regarding the first position, much contemporary policy interest in the social economy, and not just in the UK, is driven by concerns to reform and rein in the welfare state. Social enterprises have been welcomed as labour market intermediaries, facilitating the re-entry of the socially excluded into employment, not least because they are potentially resource-efficient and allegedly close to 'communities'. They are also seen as a way of contracting out to third sector

organisations services traditionally offered by the welfare state, thereby reducing the cost to the state of welfare provision, and through this, normalising a new culture of (cut-price) welfare pluralism. There is an odd consensus emerging between 'Third Way' politicians interested in efficiency of delivery and reduced state expenditure/dependency and social economy advocates thrilled by the prospect of becoming co-producers of welfare services, 'putting the public back into public service'². Finally, the rhetoric of spatial targeting has become a way of posing the social economy, through its varied powers ranging from the offer of work and services to empowerment and community/capability-building, as a – if not *the* – means of combating social exclusion, now pathologised as the problem of particular types of people in particular types of location. This amounts to a subtle abandonment of the universal welfare state, under the guise of partnership, efficiency of service delivery and targeting.

The third sector, and specifically social enterprises can certainly have an important role in welfare provision because of their expertise, knowledge and commitment. However, this emphatically should not be a role of state welfare *substitution*. The experiences of the last decade reveal a somewhat sorry tale of patchy and limited success in the social economy, hampered in many instances by poor funding, stretched resources, erratic and modest quality services, and limited survival prospects. It also tells the story of social enterprises simply plastering over the cracks of composite welfare deprivation in places of long-term decline, unable adequately to respond to need, sustain provision, and, most importantly, re-build capabilities. In this context, it is not hard to conclude that the social economy risks going full circle back into the 19th Century, again becoming a poor form of welfare for the poor, while the welfare state realigns itself to reproduce those most economically useful, now and in the future, in some places and not in others.

The evident and visible risk is of the end of one nation politics, and the end of a one-nation welfare society, legitimated by a hot-spot geography of social exclusion that rarely finds its causes and solutions within the named places. To avoid this prospect – although it is arguably already too late on the UK and USA (Hudson and Williams,

3. To borrow a phrase from Ed Mayo of the New Economics Foundation, in a presentation to a conference launching The UK Social Economy Coalition, 31 May 2001, London

1995) - requires a continuation of a welfare culture of complementary support through the social economy (funded properly by the state) within a framework, as in the Scandinavian countries, of active state measures offering work opportunities to the excluded, and welfare schemes of high quality designed to meet the needs and build the capabilities of all, and not just the few.

The second normative expectation from the social economy arises from the ethos of enterprise and business now inculcated in the spirit of neoliberalism running through the full spectrum of organised life. This emphasis has grown within the sector itself as a means of selling social enterprises to government and other sponsors, but also as a means of legitimating social enterprise as a market-driven, revenue-seeking, venture. There is growing unease about the negative connotations of labels such as 'not-for-profit', 'community-business', or 'needs before profit'. This shift has occurred as a result of the perception – clearly evident in the case of Scotland - that old style community initiatives were not run as proper businesses (for example, they were seen as characterised by poor product viability, no business expertise, lack of organisation, etc.) and therefore failed to survive or grow. The shift is also related to a new sense that commercial and social objectives can be reconciled, otherwise the reputation of social enterprises will remain that of 'small, undercapitalised, commercially precarious enterprises providing a limited number of poorly-paid, low-skilled jobs that are funded as an arm of social policy'. Consequently, 'If community business is to make a significant contribution then there is a need to adopt a more targeted development approach which could result in the setting up of a number of exemplar businesses that are commercially viable and are involved in mainstream competitive markets' (Hayton, 2000: 204-5). Hayton goes on to recommend policy reforms to improve the business development skills of social entrepreneurs, recruit board-members from the private sector, target support across the life of a business, and focus on targets such as increases in turnover and trading surpluses. However, as Bowring (1999) notes, envisioning the social economy through the lens of neoliberalism runs the risk of reproducing the inequalities of the mainstream economy into the space of the social economy.

Social enterprises should certainly not become sites of economic misery or poor professional practice, but the extent to which they can – and should - be seen as just

another (mainstream) market venture is much more contentious and problematic. What supposedly makes them distinct from commercial firms is their commitment to social empowerment and to meeting social needs. Commercial firms are in part successful as businesses because of the absence of such a commitment, which allows them to organise in order to maximise profit and revenue to shareholders. Jobs and job-satisfaction are a by-product, not the prime goal. Conversely, social enterprises might fail as businesses precisely because their prime social obligations – which require care, spending time with clients, investing resources in people, involvement in the community – conflict with the requirements for market efficiency and market-driven product viability. In short, their failure as social enterprises may be largely a consequence of being forced to become commercial businesses in order to survive, in ways that compromise their original social objectives. When sponsors have not evaluated ventures on strict commercial criteria, and when there is a degree of financial security provided by funding agencies, the scope to develop as enterprises with a social remit has been considerably enhanced.

Few social enterprises have managed to develop niche products with sustainable or growing demand. When they have, public sector support has not been far away. This raises the question of whether it is realistic to assume that the majority of social enterprises can become commercial enterprises, even with the kind of support Hayton recommends. The challenges that they face in terms of the capabilities of the communities in which they are based, their severe resource, know-how, and size constraints, and the inelasticity of demand in their immediate local market, place them at the very margins of potential business viability. They are constrained by local circumstances and usually lack the resources to connect into wider networks. In this context, current claims as to the possibilities of commercial viability and business potential seems somewhat fanciful, a dangerous distraction from the main purpose of social enterprises. A more sensible alternative, especially in areas of marked deprivation and isolation from economic opportunity, might be the renewal of committed effort by the state to increase job opportunities through incentives to attract the private sector or through public sector programmes, instead of passing responsibility on to the social economy.

It is the alterity of the social economy from the mainstream, rooted in the economy of

needs, which offers the greatest potential for the future (Amin *et al*, 2003). In societies increasingly dominated by the market as *the* resource allocation mechanism, accompanied by waning state provision, the state-business rapprochement on economic organisation for competitiveness and consumerism is increasing the distance between the imperatives of the market and the idea of economic organisation as directed towards meeting social needs, fostering social solidarity, and developing human capabilities. Marx famously summarised this contrast as the opposition between production for exchange-value and production for use-value. Today, the dislocation is leaving vast sections of society without adequate welfare provision, under-met needs, a limited role as producers in the context of jobless growth, and alienation from full-citizenship in the context of entrapment in ghettos of social exclusion. And, the twist is that the pervasive reach of exchange-value society makes it ever more difficult to imagine and legitimate non-market forms of organisation and provision. The above-mentioned normative elision of ethics, needs, and market performance in the social enterprise of the future is symptomatic of this turn.

Yet what has marked the success and energy of such varied enterprises as the Arts Factory, Gabalfa, Matson, Sofa, Reclaim, FRC, Account 3, the Bridge Project, and the Bromley-by-Bow Centre is precisely their difference, and the legitimacy they give to the possibility of a different kind of economy. It is this that defines the third normative position. They are driven by an ethical commitment to empowerment and the welfare/developmental needs of marginalised groups, and it is through this commitment that such social enterprises have fashioned products and services that are 'market' viable. Beyond this, some of those involved in these projects see what they do as advocacy for another way of life; one based on social commitment, ethical/environmental citizenship, and work as a vehicle for self and social enhancement. They have a clear sense of why they merit the label *social* enterprise, and they are part of a wider social desire for an alternative to a society driven by the imperatives of the market and private capital accumulation.

Conclusions

It is this clear sense of being part of a wider social desire for a meaningful alternative to a capitalist market-dominated society that constitutes the real strength of the social economy. It will never become an economic growth machine or an engine of mass job generation and it should not be seen as a replacement for the welfare state. However, it can signify the possibilities of another way and constitute a small symbol of another kind of economy, one based on meeting social needs and enhancing social citizenship. Indeed, it might transcend its current limits if the policy-driven conception of the social economy as a 'localised' solution to the problem of 'local' social exclusion could be broken. For while this legitimates variety in the forms that the social economy can take in different places, it also rules out consideration of systemic alternatives to the mainstream capitalist economy. Maybe the key move, therefore, is to break the localised link between the social economy and social exclusion. This would require 'de-localising' and 'de-scaling' discourses around the social economy and challenging the dominant conception of the mainstream rather than seeking to cast the social economy in its mould or to see it as filling the interstices that the mainstream has abandoned.

Acknowledgements

Earlier versions of his paper were prepared for the International Conference, "Entrepreneurs and Community Business," University College of Cape Breton, Sydney, Nova Scotia, June 26-28, 2003 and the Centennial Conference of the Association of American Geographers, Philadelphia, 13 –20 March 2004. It draws of research jointly carried out with Ash Amin, Katy Bennett, Huw Beynon and Angus Cameron, funded by the European Union, the UK Economic and Social Research Council and the Joseph Rowntree Foundation. I am immensely grateful to my colleagues for their work on these various projects and to those whose funding made them possible. The usual disclaimers apply, however.

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